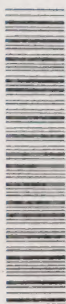


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THE BUDGET SPEECH 2006

# FOCUSING ON PRIORITIES



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CANADA'S NEW GOVERNMENT

TURNING A NEW LEAF

The Honourable James M. Flaherty, P.C., M.P.  
Minister of Finance

May 2, 2006

Canada



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THE BUDGET SPEECH 2006

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TURNING A NEW LEAF



Department of Finance  
Canada

Ministère des Finances  
Canada





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Also on the Internet at [www.fin.gc.ca](http://www.fin.gc.ca)

*Cette publication est aussi disponible en français.*

Cat. No.: F1-23/2006-1E  
ISBN 0-662-43311-4

# Check Against Delivery

## Focusing on Priorities

Mr. Speaker, the budget is balanced, our spending is focused, and taxes will go down for all Canadians.

Budgets say something about your motivations and your goals. They say something about your priorities.

Mr. Speaker, this government is focused. And nowhere are we more focused than in the area of tax relief. For years, Ottawa has been overtaxing Canadians. In this budget, we deliver real tax relief for Canadians.

Tax relief people can see. Tax relief that makes a difference. Tax relief they can count on.

Mr. Speaker, that's the bottom line of this budget.

## The GST and Personal Income Taxes

- On the GST: Effective July 1st, the goods and services tax is reduced from 7 per cent to 6 per cent.
- On child care: Effective July 1st, families with children under the age of 6 will receive a benefit of \$100 per month, per child—that's \$1,200 per year.
- On employment income: Effective July 1st, this budget creates the brand-new \$1,000 Canada Employment Credit. This new tax credit gives Canadians a break on what it costs to work, recognizing expenses for things such as home computers, uniforms and supplies.
- On personal income tax: Effective July 1st, the lowest personal income tax rate will be reduced from 16 per cent to 15.5 per cent.
- And the amount that all Canadians can earn without paying federal income tax will be increased—each and every year for 2005, 2006 and 2007.

Mr. Speaker, this budget will make a real difference to Canadians.

- As a result of these tax reductions, approximately 655,000 low-income Canadians will be removed from the federal tax rolls altogether.
- Families earning between \$15,000 and \$30,000 per year will save almost \$300 in 2007.
- Families earning between \$30,000 and \$45,000 will save over \$500.
- And families earning between \$45,000 and \$60,000 will save more than \$640.



- As a result of our reduction of the GST, a suburban family purchasing a new home for \$350,000 will save \$2,310.
- And a couple buying a new car for \$30,000 will save \$300.
- Mr. Speaker, this budget provides almost \$20 billion in real tax relief for individual Canadians. There is more tax relief in this one budget than in the last four federal budgets combined.
- This budget delivers more than twice as much tax relief as new spending. For every new tax dollar we spend, this government is returning two tax dollars to hard-working Canadians.

### **Small Business Taxes**

There is more.

Mr. Speaker, small businesses are crucial to the Canadian economy.

Approximately 97 per cent of all Canadian businesses are small businesses. They are responsible for almost half of all new jobs created in this country.

In this budget, we are taking action to help small businesses to grow.

- Effective January 1, 2007, the threshold for small business income eligible for the reduced federal tax rate will be increased from \$300,000 to \$400,000.
- And the 12-per-cent rate for eligible small business income will be reduced to 11.5 per cent in 2008 and 11 per cent in 2009.
- Effective July 1st, 100-per-cent Canadian wine produced by small vintners will be exempt from duty.
- Effective July 1st, the rate of excise duty on beer produced by small brewers will be reduced.

### **Corporate Taxes**

Mr. Speaker, to excel in the global economy, Canada needs a competitive business tax system. We need to create a climate that encourages capital investment and innovation.

Canadian companies have already shown they can compete with the best. Now we have to let them go for the gold.





- In this budget, effective January 1, 2008, the general corporate tax rate will be reduced to 20.5 per cent as part of our commitment to reduce this tax to 19 per cent by 2010.
- Effective January 1, 2008, the corporate surtax will be eliminated.
- And, effective January 1st of this year, the federal capital tax is eliminated—two years earlier than originally scheduled.

## Real Results

Mr. Speaker, I've presented a lot of big numbers. What's most important about them is what they mean for Canadians in their daily lives.

For many Canadian families, right now the bottom line is that they still have to struggle to make ends meet.

Canadians pay too much in tax. It's holding families back. It makes it harder for small businesses to create jobs and opportunities. It discourages innovation and investment. It is limiting our productivity.

Mr. Speaker, as I will explain in a moment, the budget surplus is larger than projected in the 2005 *Economic and Fiscal Update*.

This government could have chosen to spend all of the extra money collected from taxpayers. But that would not have been responsible. That money will be put to best use if we return it to the pockets of Canadians.

Providing immediate and substantial tax relief for all Canadians is a priority for this government. Today we are delivering results.

In this budget we are providing 29 separate tax reductions in every area where the government collects revenue.

From consumption taxes, to income taxes, to business taxes, to corporate taxes—in every way the Government takes money from Canadians, *this* government will take less of it.

And as for the money we do collect, we'll use it more effectively, by focusing on priorities.



### **Apprentices and Tradespeople**

One of those priorities, Mr. Speaker, is to encourage the skilled trades.

Canada is facing a serious shortage of tradespeople. So this government is taking action to encourage apprenticeships and to support apprentices in their training.

- This budget creates a new Apprenticeship Job Creation Tax Credit of up to \$2,000 per apprentice, for each of the first two years of their contract.
- It also creates a new Apprenticeship Incentive Grant of \$1,000 per year for the first two years of a Red Seal apprenticeship program and other programs.
- We will invest more than \$500 million over the next two years in these two measures, which will benefit approximately 100,000 apprentices. Mr. Speaker, I would like to thank some members opposite for their advice on these initiatives.

Mr. Speaker, the cost of tools can be a barrier to Canadians interested in a career in the trades.

- This budget creates a new \$500 deduction for the cost of tools—in addition to the new \$1,000 Canada Employment Credit.
- We will invest \$155 million over the next two years for this cost of tools deduction, which will benefit approximately 700,000 employed tradespeople in Canada.

### **Students**

Mr. Speaker, a good education is the key to a great future for our young Canadians. It will also provide this country with a workforce ready to work hard and get ahead.

To encourage Canadians to pursue post-secondary education, this budget provides \$370 million in new investments to foster excellence and accessibility in our colleges and universities.

- We are eliminating federal income tax on all income from scholarships, bursaries and fellowships.
- We are creating a new Textbook Tax Credit, which will benefit approximately 1.9 million Canadian students, at a cost of \$260 million over two years.





- And we are expanding eligibility for the Canada Student Loans Program by reducing the parental contribution required. As a result, an additional 30,000 students will gain access to this program. Approximately 25,000 current borrowers will be able to increase their loan amounts.

## **New Canadians**

Mr. Speaker, this country was built by people seeking a better life for themselves and their families. They come here for opportunity, and contribute their culture, skills and energy in return.

This government will provide more help to new Canadians to get started.

- Effective immediately, the Right of Permanent Residence Fee is reduced by 50 per cent—from \$975 to \$490.
- We are increasing immigration settlement funding by \$307 million.
- And we are taking action to establish the Canadian Agency for Assessment and Recognition of Foreign Credentials.

## **Fishing and Forestry Workers**

Mr. Speaker, this government is committed to supporting Canada's resource industries.

- In this budget we are removing the tax liability faced by Canadians in the fishing industry when transferring fishing property to their children.
- We will give equal treatment to fishers, by giving them the same \$500,000 lifetime capital gains exemption enjoyed by farmers and small business owners.

Last week, Mr. Speaker, under the leadership of our Prime Minister, this government successfully negotiated an historic softwood lumber deal with the United States.

We will continue to support our Canadian forestry industry.

- Over the next two years we will invest \$400 million to encourage the long-term competitiveness of this crucial industry, to assist worker adjustment, and to address the pine beetle infestation in British Columbia.



### Older Workers

Mr. Speaker, this budget will help make Canada more competitive in the global market.

But we will also help ensure that Canadians affected by global economic adjustments receive support—especially older workers. With access to opportunity, these Canadians can keep contributing their talent and experience to our economy.

- This government will undertake a feasibility study of measures to help such workers, including the possibility of income assistance and retraining. I would like to acknowledge some members opposite for their advice on this issue.

### Families and Communities

Mr. Speaker, families and communities are a priority for this government.

Families are the building block of society. Communities are what bind us together. But parents are finding it harder to balance work and family commitments. And some individuals and groups in our society need greater support.

For this government, supporting families means providing choice in child care for all Canadian families. It means helping everyone in our communities to live a good life and achieve their potential.

The benefit to Canadians will be that parents will have more choice in meeting their children's needs. People facing special challenges will not be left out. Groups with special needs will not be forgotten.

### Child Care

Mr. Speaker, our government recognizes that no two families are exactly alike. But all Canadian parents struggle to balance work and family commitments, and to meet their children's individual needs.

Whether the answer is regulated child care, a parent at home, a grandparent or a trusted neighbour, we are committed to supporting all Canadian parents in their choices.



- In this budget, we are investing \$3.7 billion over two years for the Universal Child Care Benefit, which will provide all families with \$1,200 per year for each child under 6. The Universal Child Care Benefit will not affect federal income-tested benefits and will be provided as of July 1st.
- I would like to commend those provinces which have already stated that they would not claw back this money.
- While the Universal Child Care Benefit will support child care choices by families, we also intend to invest in creating new child care spaces. This budget allocates \$250 million beginning in 2007 to create real child care spaces as part of Canada's Universal Child Care Plan. We will work with governments, businesses and community organizations to develop a plan that works, a plan that actually creates spaces.

## **Children With Disabilities**

Mr. Speaker, every child is unique. Parents know each child is brilliant in his or her own way. They also know that sometimes children need special help to achieve their potential.

But obtaining that special help can be very costly.

- Canadians value compassion, respect and inclusiveness. In support of those values, effective July 1st, this government is increasing the maximum annual Child Disability Benefit from \$2,044 to \$2,300.
- We are also extending this benefit so that more families can qualify.
- We are increasing the maximum amount of the refundable medical expense supplement to \$1,000 from \$767 for the 2006 taxation year. This supplement improves work incentives for Canadians with disabilities by helping to offset the loss of coverage for medical and disability-related expenses under social assistance when recipients move into the labour force.

Also Mr. Speaker, parents and grandparents of a child with severe disabilities face an important consideration. They need to find a way to secure their child's long-term financial security when they are no longer able to provide support.

- This government will appoint a small group of experts to examine ways we can help to ease this concern.





### **Fitness**

Mr. Speaker, there is more we can do to help children and families.

For so many Canadians, loading up the minivan for hockey practice or carpooling to the soccer field is a familiar routine. For many children, it is a crucial part of their development. But it often means an added expense—sometimes a significant one—in the family budget.

- That is why in this budget, this government is providing a physical fitness tax credit for up to \$500 to cover registration fees for children's sports.

### **Seniors**

Mr. Speaker, our seniors have made this country great. We owe them our support, to allow them to enjoy their later years and to provide extra security after a lifetime of contributing to our society.

- To provide increased support to Canadian seniors, this government is doubling the amount of eligible pension income that can be claimed under the pension income credit—from \$1,000 to \$2,000 starting in the 2006 tax year.
- This will benefit almost 2.7 million taxpayers. It will provide savings of up to \$155 for eligible pensioners. And it will remove approximately 85,000 pensioners from the tax rolls altogether.

### **Aboriginal Canadians**

Mr. Speaker, people from many nations have built a good life in this country and contributed to its strength. But our First Nations, the first people to live here, face special challenges.

We must support our Canadian Aboriginal communities in addressing their particular needs.

- We are providing \$450 million for improving water supply and housing on reserve, education outcomes, and socio-economic conditions for Aboriginal women, children and families.
- We are confirming up to \$300 million to the provinces to address immediate pressures in off-reserve Aboriginal housing.
- We are setting aside funds to meet the Government's obligations associated with the legacy of residential schools.



## **Affordable Housing**

Mr. Speaker, not enough affordable housing has been built to accommodate individuals and families who need it. Some are homeless. We need to do more to address these pressures now.

- The Government will allocate up to \$800 million for a major, one-time investment to increase the supply of affordable housing in our cities and communities through a new Affordable Housing Trust.
- To address the particularly acute housing situation in Canada's North, the Government is making a one-time investment of up to \$300 million to increase the supply of affordable housing in the territories.

## **Arts, Culture and Charities**

Mr. Speaker, community support is essential to Canada's arts and cultural life. Encouraging more charitable giving from within the community will mean more financial support for these projects.

- This budget will therefore eliminate the capital gains tax on donations of publicly listed securities to charities, effective immediately. This will help create a donations pool of about \$300 million annually that can be used to support worthy charitable causes and projects.
- At the same time, this budget increases funding to the culture and arts communities by \$50 million over the next two years.

## **Infrastructure**

Mr. Speaker, investing in infrastructure—bridges, roads and transit—is a priority for this government. A great trading country like Canada must have the best in highway and border infrastructure.

Delays in moving goods to market lead to increased costs and decreased competitiveness for our Canadian businesses.

As a result, Mr. Speaker, this government has decided to increase our country's investment in new highways and border infrastructure. This is a long-term commitment of unprecedented new investment.



- Over the next four years, we will invest a total of \$16.5 billion in new infrastructure initiatives, including \$3.5 billion this year and \$3.9 billion next year.
- We will provide more than \$5.5 billion in new federal funding for the Highways and Border Infrastructure Fund, the Municipal Rural Infrastructure Fund, the Canada Strategic Infrastructure Fund, the Public Transit Capital Trust and the Pacific Gateway Initiative.
- We will maintain the estimated \$3.9 billion in current funding under existing infrastructure initiatives.
- And we will maintain the existing gas tax funding commitment under the New Deal for Cities and Communities, and the full GST rebate and the federal portion of the HST paid by municipalities. These tax measures amount to \$7.1 billion in infrastructure support for our cities and municipalities over the next four years.

### **Transit and the Environment**

Mr. Speaker, as Minister Responsible for the Greater Toronto Area, I appreciate the importance of good transit infrastructure in maintaining a high quality of life.

Canadians in cities are concerned about traffic congestion and the harmful emissions that come with it. This government appreciates the fact that investing in public transit infrastructure can help preserve our environment.

- In this budget, we are providing up to \$1.3 billion to support public transit capital investments.
- Effective July 1st, we are also providing a 15.5-per-cent tax credit for the cost of transit passes. A person who buys an \$80 pass each month will save up to \$150 in taxes over the year. This will provide a total benefit of \$370 million to Canadians who use this environmentally friendly mode of transport.
- The transit pass credit will be funded from reallocation within existing resources set aside for climate change programs. A substantial amount, \$2 billion over the next five years, will be devoted to a Made-in-Canada climate change program currently being developed by the Minister of the Environment.





## Agriculture

Mr. Speaker, farmers feed our cities, our country and the world. They keep our rural communities strong. But falling prices and trade disputes are causing real financial hardship. Current insurance and income support programs are inadequate.

Despite showing true resilience in the face of all these pressures, Canadian farmers need even more of our support. This year is a particularly difficult year, and we know it.

- In support of our farmers and farming communities, one of this government's first actions was to accelerate disbursement of \$755 million in payments under the Grains and Oilseeds Payment Program.
- This budget goes further. We will provide an additional \$500 million per year for farm support and to work with farmers and others to secure a more prosperous future for this important primary economic sector.
- We committed to do this. But we are committing today to do even more. In recognition of the needs of farmers now, we are announcing an immediate \$1 billion additional investment to assist farmers this year.
- Together, this amounts to \$1.5 billion more in new funding for Canadian farmers this year.
- Mr. Speaker, this additional investment will help farmers as we transition to new income stabilization and disaster relief programming. We will also replace the Canadian Agricultural Income Stabilization program with more effective programming to meet the needs of farmers. In an immediate move to more effective programming, we will provide one-time funding under CAIS to make the program more responsive, put in place deeper loss coverage, that will be cost-shared with provinces and territories. We will also implement a Cover Crop Protection Program to help farmers deal with the damage caused by flooding of their fields.



### Security

Mr. Speaker, security is a priority for this government.

Canadians want to know that we can do our part to build peace and security around the world. But our men and women in uniform have not been given the tools they need to do their job.

### Canadian Forces

Mr. Speaker, the men and women of the Canadian Forces dedicate their lives to serving this country.

These soldiers exemplify the character and dedication of our Canadian Forces, and all our men and women in uniform deserve our gratitude and full support.

- In this budget, Mr. Speaker, we are investing \$5.3 billion over the next five years to provide our Canadian Forces with the support and resources they need to defend Canada's sovereignty, advance our national interests, and support Canadian values around the world.
- We will recruit an additional 23,000 regular and reserve personnel.
- We will improve base infrastructure and housing.
- And we will invest in the equipment needed to support a multi-role, combat-capable maritime, land and air force.

### Borders

Mr. Speaker, increased global security concerns present a special challenge for Canada. We must strengthen the security of our borders, while ensuring they remain open for business.

For the good of the country, we must act.

- In this budget, this government is allocating \$101 million over the next two years to provide side arms and training for our border officers, and to eliminate “work-alone” posts.
- We are committing \$303 million over the next two years to provide secure and efficient border crossing for low-risk travellers. These two measures will advance our contribution to the Security and Prosperity Partnership of North America.
- We are also investing \$133 million over the next two years for the Canadian Air Transport Security Authority, and \$95 million for new measures to strengthen passenger rail and urban transit security.



## Crime

Mr. Speaker, our government is committed to ensuring Canadians are safe in their homes and in their communities. Safe streets are a defining characteristic of the Canadian way of life and must be preserved.

In this budget, we are taking decisive action to crack down on crime.

- We are providing \$161 million to begin recruiting 1,000 more RCMP officers and federal prosecutors to focus on such law-enforcement priorities as drugs, corruption and border security.
- We are investing \$37 million for the RCMP to expand its national training academy to accommodate these new officers and build the capacity to train more officers in the future.
- We are setting aside funds to expand Canada's correctional facilities to house the expected increase in inmates as a result of changes in sentencing rules.
- We are providing \$20 million for communities to prevent youth crime with a focus on guns, gangs and drugs.
- And we are providing \$26 million to give victims a more effective voice in the federal corrections and justice system, and to give victims greater access to services such as travel to appear at parole hearings.

## Economic and Fiscal Update

Mr. Speaker, Canadians have reached a level of accomplishment few other countries can rival. Our economy has shown great resilience, and in spite of a heavy tax burden, Canadian workers and business people have shown the world what talent and hard work can do.

- Looking at our current situation, Canadians have many reasons to be confident. Unemployment is at a 30-year low, we have low inflation and strong consumer confidence, and corporate profits are at record levels.
- Private sector forecasters have raised their forecasts for growth in 2006, mostly because of stronger than expected growth in commodities prices. The level of nominal GDP in 2006 and 2007 is now more than \$20 billion higher than projected last fall.
- The challenges we need to watch for are still mostly external: uncertainty about commodities prices; the risk of a sudden correction in U.S. house prices; and the impact of a higher dollar on our manufacturers.





Regarding our fiscal outlook, Mr. Speaker, the federal surplus in 2005–06 is projected to be \$8 billion. As a result, the projected planning surpluses set out in this budget are significantly higher than what was presented in the 2005 *Economic and Fiscal Update*.

This government will direct these surpluses to providing significant tax relief for all Canadians.

- Based on the tax reductions in this budget, government revenue as a share of GDP is projected to decline from 16.4 per cent in 2004–05 to 15.5 per cent in 2007–08.
- I am proud to say that because of this budget, growth in program spending is projected to fall below the rate of economic growth. As a result, program spending as a share of GDP is projected to decline from 13.7 per cent in 2004–05 to 13.0 per cent in 2007–08.
- As a result of our debt reduction plan, the ratio of debt to GDP is projected to fall to about 31.7 per cent by 2007–08. This will allow us to reduce the debt-to-GDP ratio to 25 per cent by 2013–14—one year earlier than previously projected.

## Accountability

Mr. Speaker, accountability is a priority for this government.

Canadians need to be able to trust their government and know their tax dollars are being well spent.

For this government, accountability means being open. It means the numbers must be presented clearly. It means we have to be frank about where we stand financially. And that will mean at times we will show unallocated surpluses, as we have for this year and next, which will be used to address future priorities.

Canadians will benefit from greater accountability in their government. They will be able to tell whether their government is being straightforward with them. They will be able to make informed judgements about what our priorities should be.



## **Federal Accountability Act**

Mr. Speaker, accountability requires new checks and balances. We need to ensure the Government will be answerable to Canadians. We need to take action so taxpayers can open our books and find the bottom line.

As our first piece of legislation, this government introduced Canada's first Federal Accountability Act. This act holds the government, from the Prime Minister on down, to a standard never contemplated before.

Today we are providing the funds needed to get these new measures up and running.

- We are committing the funds necessary to establish a Parliamentary Budget Office. This new office will ensure Canadians can get honest and straightforward information on the state of our finances from an independent source.
- We are also strengthening existing means of holding the Government to account, by providing additional resources to the Auditor General, the Ethics Commissioner, the Information Commissioner and the other Officers of Parliament.

## **Expenditure Management**

Mr. Speaker, our government intends to be open and straightforward with Canadians regarding the finances of Canada. To that end:

- We will provide quarterly updates on our fiscal situation to make available the most current information.
- We are making budget decisions over a two-year planning horizon. Measures are to be introduced when they are affordable and ready to be implemented.

Being accountable also requires fiscal responsibility. Canadians deserve to know their money is being used efficiently, effectively and on priorities that are important to them.

That has not always been the case.

Over the past five years, total program spending has grown by an average of 8.2 per cent annually. In 2004–05 growth in spending increased by 14.4 per cent. This growth is neither sustainable nor desirable.



Instead, our government is taking decisive action to get runaway spending under control. Our government's approach to spending control is based on the following three principles:

- government programs should focus on results and value for money;
- government programs must be consistent with federal responsibilities; and
- programs that no longer serve the purpose for which they were created should be eliminated.

With those principles in mind, the Government is launching a review of its expenditure management system. In addition, the President of the Treasury Board will be identifying savings of \$1 billion for 2006–07 and 2007–08. Reports on both initiatives will be completed by the fall.

## **Fiscal Balance**

Mr. Speaker, restoring fiscal balance for our Canadian federation is a priority for this government.

Canadians want to keep our country strong and united. But our federation could and should work better. The federal government has been underestimating surpluses and overtaxing Canadians, while the provinces and territories have found it difficult to fund crucial services like health care and education.

For this government, fiscal balance means that the federal government and the provincial governments have to be able to focus on their core responsibilities. They have to have the resources they need to meet those responsibilities.

Achieving fiscal balance will help ensure Canadians receive the services they have paid for. And it will help ensure our federation continues to work for the good of all Canadians.

## **Health Care**

Mr. Speaker, there is one especially important concern this government shares with the provinces and territories and with all Canadians.

Canadians cherish top-quality, publicly funded, universal health care. While funding for health care has increased, wait times for treatment are also increasing.





- We are committed to implementing the 10-Year Plan to Strengthen Health Care. Transfers for health care will rise by 6 per cent this year and next. As part of that plan, the Government has already provided \$5.5 billion for the Wait Times Reduction Transfer, to help ensure Canadians will receive the health care they need, when they need it.
- This government will work with the provinces to develop a Patient Wait Times Guarantee to ensure all Canadians receive medically necessary treatment within clinically acceptable wait times.
- We are also committed to doing our part to implement the Canadian Strategy for Cancer Control. We will invest \$52 million per year for the next five years to help improve screening, prevention, and research activities, and to help coordinate efforts with the provinces and with cancer care advocacy groups.
- We are also providing \$1 billion over the next five years to improve Canada's ability to respond effectively to pandemics and other public health emergencies.

## **Equalization and Territorial Formula Financing**

Mr. Speaker, the Equalization and Territorial Formula Financing programs help ensure Canadians in all regions of the country enjoy an acceptable standard of living and share in the benefits of living in this great country. But the past couple of years have shown that these programs are not working as well as they should. They need to be made more effective.

We will renew these programs, taking into account reports by the Council of the Federation as well as the forthcoming report of the Expert Panel on Equalization.

In the spirit of working cooperatively with provinces and territories, this government has decided to improve the Equalization and Territorial Formula Financing programs on a one-time basis for this year.

We will allocate money to provinces and territories based on a more current set of estimates than what was proposed by the previous government. This will not only result in six provinces and one territory receiving more money than what they would have been getting. It will also ensure that no province or territory will lose funding, as they would have if we had not made this decision.

We will provide a one-time adjustment of \$255 million this year for this decision.



### **Discussion Paper on Restoring Fiscal Balance**

Mr. Speaker, this government is determined to keep Canada strong and united.

Our founders built a flexible, federal system of government. Each generation of Canadians has done its part to respond to the hopes and challenges of their time.

This government will show leadership to ensure our federal system continues to work for the good of all Canadians.

Our approach will be based on the five fundamental principles set out in the budget companion document, *Restoring Fiscal Balance in Canada*. Those principles are:

- Accountability through clarity in roles and responsibilities of both orders of government, including accountability for how governments raise and spend funds.
- Fiscal responsibility and budget transparency by planning on annual debt reduction of \$3 billion, and fiscal planning based on accurate, timely and complete information and analysis.
- Predictable long-term fiscal arrangements that adequately support shared priorities, based on transparent principles and formulas.
- Competitiveness and efficiency of the Canadian economic union to ensure rising living standards and enable governments to deliver the quality of services Canadians expect.
- Effective collaborative management of the federation that results in practical intergovernmental mechanisms to facilitate provincial involvement in areas of federal jurisdiction and more efficient service delivery.

Extensive consultations will be conducted on this paper. We encourage Canadians to give us their views. We will involve Parliament in this national dialogue. I will meet with provincial-territorial Finance Ministers later this spring to begin our discussions. A First Ministers Meeting will be held in the fall. Budget 2007 will bring forward funding and legislation required to implement our proposals.



## Productivity and Competitiveness

Mr. Speaker, of all the priorities I have mentioned today, the common denominator is prosperity. A better life for all Canadians is the highest priority for this government.

To ensure our long-term prosperity, we need to increase our productivity.

Canadians have built a great country with many advantages. Canadians are hard workers and great innovators. But we are facing increasing competition from countries like India and China. Our workforce is aging. Government tax policies have discouraged investment and job creation.

- For this government, increasing productivity and competitiveness means creating a stronger economic union across Canada, and reducing barriers to trade between provinces.
- It means reducing red tape, reducing business taxes and eliminating the capital tax to help our Canadian companies compete in the global economy and create jobs for Canadians at home.
- It means investing in education, research and development.
- It means making sure our borders stay open for business.

The benefit to Canadians will be a higher standard of living, and a greater quality of life.

Canadians will have access to more and better jobs. We will be able to pay for the things we want—the things we want for our families, and the things we want for our communities and our country, like health care and education.

Mr. Speaker, I have mentioned in my remarks today many measures this government is taking to help build a better life for all Canadians including:

- incentives for Canadians to enter and stay in the workforce such as the new \$1,000 Canada Employment Credit;
- reductions in taxes on small business;
- creating a climate for job creation and growth by reducing corporate tax rates;





- supporting competitiveness in the primary sector through measures for agriculture and forestry;
- making major investments in infrastructure; and
- providing significant support for education and training, including \$1 billion for the Post-Secondary Education Infrastructure Trust.

The Government will pursue a broad approach over the coming year—building on the targeted measures proposed in this budget—to develop a strong, results-focused agenda to promote a more competitive, productive Canada for the benefit of all Canadians.

## Turning a New Leaf

In this budget, Mr. Speaker, Canada's new government is focusing on priorities, and getting results on issues that matter to Canadians.

We are doing it in a way that will benefit Canadians now, and enable us all to keep reaching higher, to build an even greater country.

We are doing it according to our fundamental principles: strong fiscal discipline, tax relief and a clear focus on the core areas of federal responsibility.

Mr. Speaker, when we asked Canadians for their support in the election campaign just past, we made some firm commitments. In the context of a comprehensive plan, we laid out some immediate priorities.

Today we are delivering on those priorities, and more.

In this budget, Canada's new government is taking action on our broader plan.

We are providing significant tax relief for all Canadians. We are taking steps to ensure tax dollars will be spent responsibly.

We are investing in families, education, industries, security and infrastructure. And we are working to ensure the federation works for the good of every part of the country.



The results of our acting on these priorities will be a stronger Canada, and a better life for all Canadians.

This government knows how important it is for every family to be able to meet immediate needs and to plan ahead, so our children can make the most of living in a great country like Canada.

Mr. Speaker, this government is dedicated to that cause, in the service of all Canadians.

In this budget we are focusing on priorities—immediate and long-term—and we are delivering results.

Mr. Speaker, as I said upon rising in this House, the budget is balanced, spending is focused, and taxes will go down for all Canadians.

We have a plan. Let us move forward to build a stronger and even better Canada.







